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WOMEN AND CREDIT

No. 1



Access to credit is crucial for the financial viability of any enterprise. It is especially important to Third World women entrepreneurs, particularly those working as traders and distributors in the informal sector. Very few of the women working in the informal sector can build up capital or accumulate savings. Without capital or access to credit, these women entrepreneurs have great difficulties in initiating, sustaining and expanding income-generating activities. And, while many women in the Third World have entrepreneurial experience, they often lack knowledge of modern business practices, including financial planning, bookkeeping, inventory control and marketing. And even where women enjoy some financial independence or right to property, the school system has not always prepared them to manage their assets in the most profitable way. Financial lenders and policy makers are therefore often reluctant to consider women as good credit risks.

Sometimes cultural factors or stereotyped perceptions make access to credit difficult. Modern land ownership practices and laws, particularly those based on the patriarchal system prevalent in Western societies, for example, often imply that women have no control over the land they till and inhabit. Since land ownership is a criterion frequently used by banks and development agencies for the provision of credit, women have been given little opportunity to improve their crops. This situation is particularly serious for women whose husbands are absent.

Lack of access to credit and credit discrimination become a vicious circle. Women cannot borrow money because of poverty or institutional barriers; and, because they don't have any money, they cannot start new activities and enterprises that would make appropriate use of their entrepreneurial skills. Consequently, women remain at the same level of poverty or become even poorer because they cannot keep up with inflation.

Past Achievements

Because of the many difficulties women usually encounter when dealing with the mainstream financial institutions, they have organized into groups and formed cooperatives in some countries. These cooperatives can partially or entirely replace costly banks and money lenders. Cooperatives can also serve as intermediaries to assist women with establishing credit records.

Several models for successful cooperatives have been tried, such as :

1. Cooperatives with exclusive membership (i.e. women, the poor)
2. Cooperatives drawing their membership from a specific group (i.e. the village, an occupational group, a union)
3. Cooperatives raising capital by specific means (i.e. by lump sum

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The Present Situation

Access to credit is crucial for the financial viability of any enterprise. It is especially important to Third World women entrepreneurs, particularly those working as traders and distributors in the informal sector. Very few of the women working in the informal sector can build up capital or accumulate savings. Without capital or access to credit, these women entrepreneurs have great difficulties in initiating, sustaining and expanding income-generating activities. And, while many women in the Third World have entrepreneurial experience, they often lack knowledge of modern business practices, including financial planning, bookkeeping, inventory control and marketing. And even where women enjoy some financial independence or right to property, the school system has not always prepared them to manage their assets in the most profitable way. Financial lenders and policy makers are therefore often reluctant to consider women as good credit risks.

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3. Cooperatives raising capital by specific means (i.e. by lump sum

payment, by regular deposit or from development agency grants)

4. Cooperatives with different loan conditions (i.e interest rate terms or repayment terms). The majority of loans are personal loans; however, as women gain experience with credit, more loans are available for equipment purchase and business purposes.

Usually, a group of women form an association to which each member contributes a minimum sum in savings. These funds are then lent out at a normal interest rate to group members or on a rotating basis. In two Nigerian villages, for example, women belong to rotating credit cooperatives and obtain loans allowing them to establish small commercial enterprises or meeting their families' basic needs. And in the Philippines, a private voluntary organization administers a program for 'barefoot entrepreneurs', migrants to the cities who lack the capital to start small businesses. The organization also trains volunteer group leaders to evaluate loan applications, establish lending criteria, make disbursements and oversee repayments (2).

Besides lending money, cooperatives encourage group support among members to help each other organize and manage their enterprises and develop and upgrade professional skills. Through cooperative organizations, women can exercise economic and political power to further their common interests and increase their bargaining power. Very often, cooperatives provide supplementary activities and educational and health benefits as part of a service package.

In some countries, the cooperative movement has expanded into establishing large banks for women. In India, for example, the Indira Cooperative Bank has thirty branches and over 10,000 female shareholders. Its staff and clientele are entirely female (3).

Following the International Women's Year Conference held in Mexico City in 1975, Women's World Banking (WWB) was established. It was incorporated as an independent financial institution in the Netherlands in 1979. Its purpose is to advance entrepreneurial activities, particularly those of women in low-income communities, through loan guarantee programs and management skills training. Each Women's World Banking program is tailored to the social, economic and cultural realities of the area to be served. Women's World Banking has expanded into an international organization, with 23 affiliates, mainly in member Third World countries, and a further 20 are presently in formation. WWB receives assistance from the UNDP and various governments and private supporters.

Canada, through the Canadian International Development Agency (CIDA), is participating in a variety of programs initiated by WWB. For example, it has financed a workshop consolidating the WWB network in Latin America. CIDA also contributes to a Loan Guaranty Fund by which WWB encourages and supports women in developing countries. In Africa, CIDA participates in the financing of a project that intends to strengthen communication and coordination between WWB's head office and the rapidly evolving African affiliates. CIDA also financed an evaluation workshop to reassess the viability of the WWB concept and to plan future directions.

Barriers for Women in Need of Credit

Despite these encouraging developments, inaccessibility to credit often remains one of the major obstacles to the full success of women's enterprises. Few women have a good credit rating or a credit history. Sometimes women are affected by their husband's poor credit ratings, or they need their husband's signature to co-sign loan documents. The husbands are not always in favour of their wives' financial independence. And in many instances, the husbands are absent, having migrated to urban areas or other countries in search of paid employment.

Women are not only handicapped by lack of resources. In many countries laws and social institutions limit their ability to take on public responsibilities. Sometimes they have no independent status at all. Often they don't have any rights to own, lease, buy or sell land and other property. This in turn limits their ability to buy seed or fertilizers for agricultural production, or raw material and machinery.

Even if women are managing successful commercial enterprises, tradition and cultural perceptions sometimes restrict their income-generating activities to a small number of highly competitive areas, such as handicrafts or food stalls where profit margins are low and expansion possibilities limited.

Future Action

- * Development agencies are becoming increasingly knowledgeable about the problem of women's access to credit. Some have acted by formulating or funding credit programs targeted to women. These initiatives need to be evaluated and repeated in other countries.
- * Women's cooperatives need to receive support, through access to credit and through technical expertise.
- * In cultures where tradition makes it difficult or impossible for women to interact with male strangers in public, women's bank branches need to be set up.
- * Women's groups need assistance with educating their membership in financial and business management practices.
- * Women's rights to property and land titles need to be assured.

Footnotes

1. Okonjo, Kamene, "Rural Women's Credit Systems : A Nigerian Example", Learning about Rural Women, Studies in Family Planning (The Population Council), New York, 1979.
2. Obepias-Ramos, Lilia, "Manila Community Services Inc.", in: Credit and Women's Economic Development : A Dialogue among Entrepreneurs, Bankers, and Development Specialists on Issues Related to Credit for Business Enterprise, Morrison Reno, Barbara. World Council of Credit Unions, Inc., in cooperation with Overseas Education Fund, Washington, D.C., 1981.
3. Urban Edge, February 1981, vol.#5, no.32, pp. 3-4.
4. Committee to Organize Women's World Banking, International Workshop of Women's Leaders in Banking and Finance, Amsterdam, March 12-15, 1980: A Report ; and Women's World Banking, Annual Report, 1983, New York.



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